SENATE EDUCATION
Exhibit No. 2
Date 2/18/15
Bill No. SB 328

529 plans at a glance

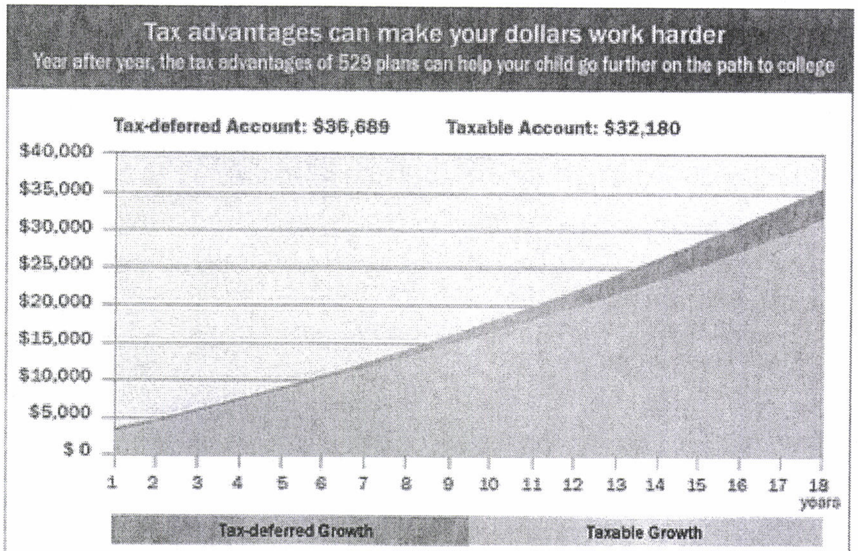
What is a 529 plan?	A program that: • Helps families save today for tomorrow's higher education expenses • Offers tax advantages that can help money go further • Gives the account owner control over the account - how and when the assets are used • Is usually sponsored by a state, but generally is not limited to residents of that state (the Investment Plan is sponsored by the State of Montana)
What tax benefits does it offer?	• Earnings grow tax deferred, so money has the opportunity to work harder • Qualified withdrawals are tax free[1] • Some offer state-specific tax benefits: Montana offers a special tax benefit to Montana taxpayers
What can it be used for?	Qualified withdrawals are those used for qualified higher education expenses, including[1]: • Tuition • Required fees • Required books and equipment • Certain room and board costs
Where can it be used?	Any eligible educational institution[2] around the country, including: • 2- or 4-year colleges and universities • Graduate schools (including law and medical schools) • Vocational/technical schools • Qualified career retraining schools
Who can open a 529 plan account?	• There is no income limit and no maximum age limit • Generally, any U.S. citizen or resident alien with a permanent U.S. address (not a P.O. Box number) (Note: many 529 plans have minimum age requirements to open an account, such as 18, in Montana) • Parents of a beneficiary, grandparents, other family members, or friends • An adult learner or GED graduate, for their own qualified continuing education or retraining
Who can be a beneficiary?	• Anyone with a Social Security number or Tax Identification number, who is a U.S. citizen or a legal resident alien

Tax benefits of a 529 plan

- **Tax-deferred earnings:** When you invest in a 529 plan, your assets grow deferred from federal and generally from state income taxes; that means that your dollars can grow faster. The chart below shows the impact that this benefit could potentially have on your money. After 18 years, the same amount invested in a tax-deferred account could be worth over $4,500 more than in a taxable account.

Tax benefits of a 529 plan

- **Tax-deferred earnings:** When you invest in a 529 plan, your assets grow deferred from federal and generally from state income taxes; that means that your dollars can grow faster. The chart below shows the impact that this benefit could potentially have on your money. After 18 years, the same amount invested in a tax-deferred account could be worth over $4,500 more than in a taxable account.



Assumptions: $2,500 initial investment with subsequent monthly investments of $100 for a period of 18 years'; annual rate of return on investment of 4% and no funds withdrawn during the time period specified; taxpayer is the 30% federal income tax bracket for all options at the time of contributions and distribution. This hypothetical is for illustrative purposes only. It doe not reflect an actual investment in any particular 529 plan or any taxes payable upon distribution.

- **Tax-free withdrawals:** When you're ready to use your 529 plan account, all withdrawals used for qualified higher education expenses are free from federal income taxes.[1] Qualified higher education expenses include:
  - Tuition
  - Mandatory fees
  - Books, supplies, and equipment required for enrollment or attendance
  - Certain room and board costs

- **Gift- and estate-tax benefits:** Contributions to a 529 plan account are considered completed gifts to the beneficiary. You can contribute $14,000 if single/$28,000 if married and making a proper election in a single year for each beneficiary without incurring a federal gift tax, provided you don't make additional gifts to that beneficiary in the same year. In addition, "accelerated gifting" lets you make up to five years' worth of gifts ($70,000 if single/$140,000 if married and making a proper election) to 529 plan accounts for each beneficiary in one year without incurring federal gift taxes, provided you don't make additional gifts to that beneficiary for five years.[3]

[1] Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

[2] An eligible educational institution is a post-secondary institution that is eligible to participate in a student aid program administered by the U.S. Department of Education.

[3] In the event the donor does not survive the five-year period, a pro-rated amount will revert back to the donor's taxable estate.